

January 24, 2011

Natural Gas Trends

Highlights

EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) January 11, 2011 Short-Term Energy Outlook:

Spot prices, natural gas. EIA projects for calendar year 2011 an average Henry Hub natural gas spot price of \$4.02 per million British Thermal Units (MMBtu). The price per MMBtu averaged \$4.39 in 2010, \$5.50 in 2009, \$9.13 in 2008, and \$7.17 in 2007.

Uncertainty over future natural gas prices is slightly lower this year compared with last year at this time.

Spot prices, crude oil. The West Texas Intermediate (WTI) crude oil spot price per barrel is expected to average about \$93 in 2011. The WTI crude oil spot price per barrel averaged \$79 in 2010, \$62 in 2009, \$100 in 2008, and \$72 in 2007.

Consumption. EIA expects total natural gas consumption to decline by .9% in 2011 and to increase by 1.6% in 2012 due to a change in its gas consumption forecasting methodology and due to its forecasted heating degree days and cooling degree days, as compared to expected norms. U.S. total natural gas consumption fell by 1.5% in 2009.

Production. U.S. natural gas production is expected to decline slightly by .3% in 2011 and to increase by 2.2% in 2012. The current large price differential between petroleum liquids and natural gas is expected to contribute to the shift toward drilling for petroleum liquids. Total marketed U.S. natural gas production increased by 4.1% in 2010, by 3.7% in 2009, and by 5.9% in 2008.

Imports. EIA projects, for 2011 and 2012, year-over-year decreases in gross pipeline imports of 4.3% and 4.4%, respectively, as plentiful U.S. gas (with relatively low transport costs) displaces Canadian imports and liquefied natural gas (LNG). EIA projects 2011 LNG imports will decline 4.7% over 2010 levels. U.S. LNG imports totaled 452 Bcf in 2009, 352 Bcf in 2008, and 771 Bcf in 2007.

Source: <http://www.eia.doe.gov/emeu/stco/pub/contents.html>

Data

- February Natural Gas Futures Contract (Jan 21), NYMEX at Henry Hub closed at \$4.736 per million British Thermal Units (MMBtu)
- March Light, Sweet Crude Oil Futures Contract (Jan 21), NYMEX at Cushing closed at \$89.11 per U.S. oil barrel (Bbl.) or approximately \$14.19 per MMBtu

Last week: Texas, U.S. warmer than normal

For the week beginning 1/16/11 and ending 1/22/11, heating degree days were lower than normal for Texas and the U.S. For the heating season (7/1/10 to 6/30/11), cumulative heating degree days are 5% below normal for Texas and 4% above normal for the U.S.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)

City or Region	Total HDD for week ending 1/22/11	* Week HDD +/-from Normal	Year-to-date total HDD	* YTD % +/- from Normal
Amarillo	168	- 42	2068	- 15 %
Austin	123	+ 15	1119	+ 13 %
Dallas – FW	153	+ 6	1271	- 9 %
El Paso	96	- 47	1240	- 21 %
Houston	103	+ 5	820	- 9 %
San Antonio	105	0	867	- 9 %
Texas**	119	- 2	1117	- 5 %
U.S.**	164	- 1	1936	+ 4 %

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated.

** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. Gas Storage Drops to 2,716 Bcf

For the week ending 1/14/11, U.S. working gas in storage declined from 2,959 to 2,716 Bcf compared to 2,642 Bcf in storage a year ago and compared to an average of 2,665 Bcf in storage during the 5-year period from 2006 to 2010. Working gas in storage in the producing region (which includes Texas) declined from 1,059 to 968 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 1/14/11	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	1384	1510	- 126	- 5.7 %
West	364	390	- 26	+ 0.3 %
Producing	968	1059	- 91	+ 15.9 %
Lower 48 Total	2716	2959	- 243	+ 1.9 %

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: Gas Rig Count up 4 to 906

The gas rig count for the U.S. was up 4 last week and up 73 when compared to 12 months ago. The U.S. total rig count was up 13 last week and up 431 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

	As of 1/21/11	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1713	+ 13	1282	+ 431
Gas	906	+ 4	833	+ 73
Oil	798	+ 9	437	+ 361
Texas	741	+ 10	528	+ 213
N. Amer.	2334	+ 57	1777	+ 557

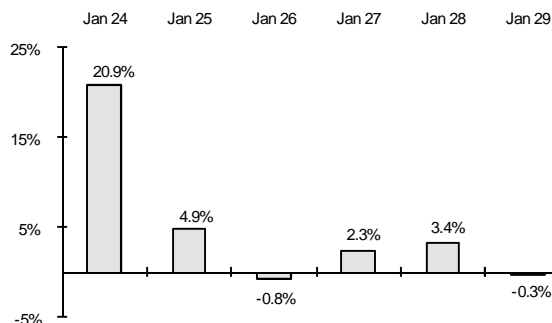
Numbers are excerpted and not meant to be totaled

This week: U.S. Energy Use Seesaws

U.S. energy use is forecasted to be mostly higher than normal this week, dipping below normal on Wednesday and Saturday, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

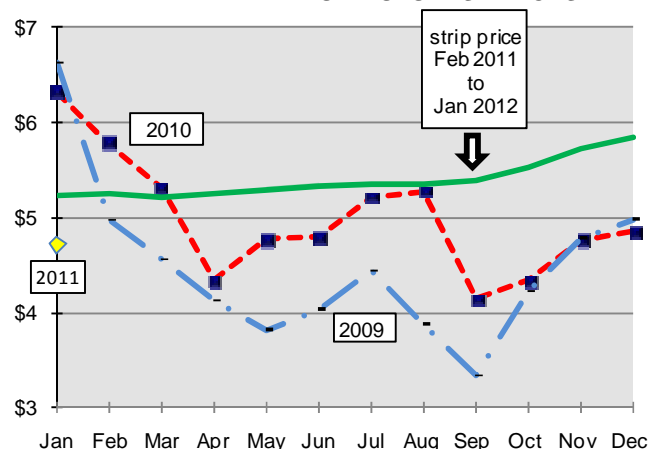
U.S. ENERGY USE FORECAST



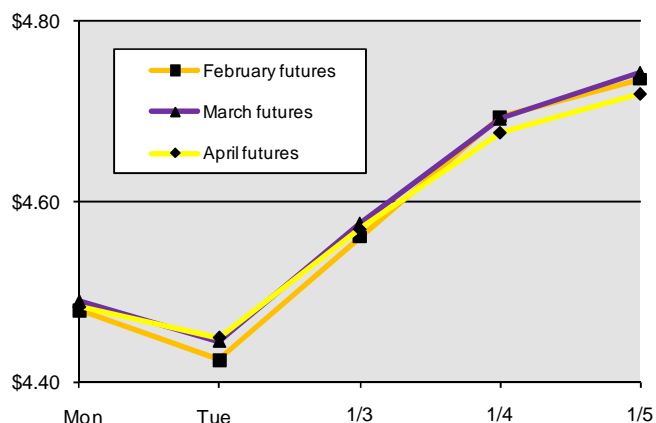
GAS PRICE SUMMARY AS OF 1/21/11

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US February futures				
NYMEX	\$4.736	\$0.256	-\$0.538	\$4.897

NYMEX HENRY HUB FUTURES PRICES



NYMEX NATURAL GAS PRICE MOVEMENT 1/17/11 - 1/21/11



Lynne LeMon, a natural gas analyst in the Market Oversight Section of the Gas Services Division, is editor of Natural Gas Trends.

Comments on this publication may be directed to Ms. LeMon at 512-475-1958 or lynne.lemon@rrc.state.tx.us